

Self-Supporting Toll Facilities

Office of the State Treasurer
December 16, 2009

Self-Supporting Toll Facilities

Why is it important for Toll Facilities to be Self-Supporting?

- Commitments made at the time of financing
- Looking forward: Limited G.O./ MVFT capacity
- Anticipate increasing reliance on user fees such as tolls

Self-Supporting Toll Facilities

Self-Supporting – in practice

Pure toll revenue bonds

- Coverage 1.75 – 2.00 x
- Toll Revenue Reserve 5% -10% projected toll revenues
- Operation and Maintenance Reserve 5% of projected O & M
- Renewal & Replacement Reserve

SR 520 Bridge Replacement

- Tolls to be pledged, alone or with G.O./ MVFT pledge
- Financial analysis assumes coverage 1.25 x

Self-Supporting Toll Facilities

Tacoma Narrows Financing Assumptions

- Tolls not specifically pledged
- Net revenues “sufficient”
- 2007 Scenario Analysis assumed coverage of 107%
- No reserve requirement

Toll revenues below 2002 Financial Plan

- Coverage now 101%
- Operating fund balances \$12.3 million FY2010



If no change in toll rates, in 2011

- One-time \$5 million repayment to Motor Vehicle Account
- Debt service jumps by \$10 million following initial toll revenue projections
- Coverage falls to 69%
- If use reserves to make up the gap, ending balance drops to \$2 million

This is not Self-Supporting.

Self-Supporting Toll Facilities

Guidelines to ensure Tacoma Narrows Bridge is Self-Supporting

- Nationwide - All rated tolled facilities
(42 toll roads and bridges as of 2007)
- Median Debt Service Coverage $2.36 \times$
(net revenues as defined in a toll facility's
bond ordinance divided by principal and
interest requirements for the fiscal year)
- Average Days Cash on Hand $579 \text{ days } (1 \frac{1}{2} \text{ years})$

www.moody.com

Special Comment

Moody's
U.S. Public Finance

November 2008

U.S. Toll Road Sector Medians for Fiscal Year 2007

Recent Slowing of Traffic Not Yet Evident in Medians

Summary Opinion

This report is our third annual stand-alone publication of medians for the U.S. toll facilities. We publish separate sector indices and medians reports in order to provide timely information to the market. Our medians for financial and operating indicators are based on data drawn from 42 toll roads and bridges with public underlying ratings based on fiscal year 2007 FY2007 financial data and operating statistics. We also present five additional years of historical information. These toll facilities have approximately \$45 billion in toll revenue secured debt.

The report also presents a brief discussion of selected key medians as well as a comparison of medians for the two primary classes of toll facilities: established, multi-lane systems and start-ups, which are typically single-lane systems. While tolls remained relatively flat in FY 2007, slower traffic growth and heavy debt issuance caused weakening in many measures:

- The sector posted slower gains in toll transactions, with the median year-over-year growth at 0.8%, compared to 1.2% last year and the five year median compound annual growth rate (CAGR) of 1.6%.
- The median toll rate per mile slipped to 16.6 cents from 16.4 cents, while the average toll per transaction was down one penny to \$1.75.
- Liquidity measures remained solid, with days cash on hand growing to 579, up from 485. Established facilities have a median days cash on hand of 501, whereas start-ups have a median of 1,439.

The medians also illustrate certain sector challenges that remain for the sector:

- The slowing economy evidenced by poor traffic growth in 2007 has worsened in 2008, reducing toll transactions for many issuers.
- Debt ratios increased significantly in 2007, reflecting heavy debt issuance by many toll facilities for new infrastructure projects. The issuance continues to be driven by aging infrastructure, traffic congestion, and scarce federal and state resources. While median debt service coverage may be improved in FY 2009 to market disruptions and higher debt issuance costs.

Analyst Contacts:

US Public Finance:

New York	
Maria Mateo	1.212.853.7241
Senior Vice President	
Karl Krummholz	1.212.853.7237
Vice President	
Ryan Larkin	1.212.853.3818
Anal. Vice President/Analyst	
John Gaffney	1.212.853.8934
Anal. Vice President/Analyst	
Nicholas Ayers	1.212.853.4451
Associate Analyst	
John Nelson	1.212.853.4096
Traffic Managing Director	
Chicago	
Steven O'Leary	1.212.754.9947
Anal. Vice President	

Moody's Investors Service

Self-Supporting Toll Facilities

State of Georgia Guaranteed Revenue Bonds 1991

Min coverage	1.0 x
Actual Coverage 1995 – 1998	1.60 – 2.06 x
Since 1998	2.25 x

(subordinate lien)

Harris County Toll Road Authority, Texas

(senior lien)

Toll Road Revenue Bonds

Toll Road Tax Bonds

Min coverage	1.25 x	1.0 x
Actual Avg coverage 2004-2008	4.56 x	3.1 x

Dulles Toll Road (Virginia)

General obligation bonds issued 1982 – 1996

Min coverage	1.0 x	in excess of 1.0
--------------	-------	------------------

Self-Supporting Toll Facilities

Propose Modified Two-Prong Coverage Requirements

1. **Annual Coverage of 110% on all expenses except major repair and preservation, transfers to other state accounts**

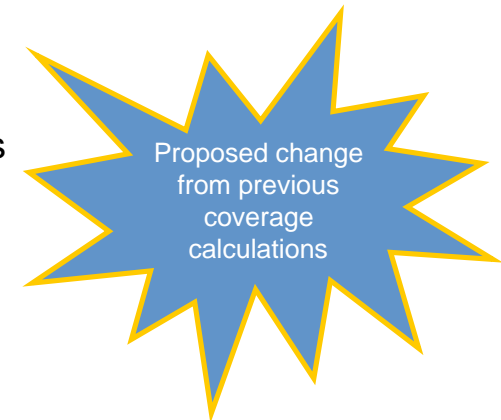
Coverage on Expenses related to

- Oversight and Administration of Toll Operations
- Toll Operator Contract
- Insurance
- WA State Patrol
- Maintenance of New Bridge

No Coverage on

- Preservation of New Bridge, Roadway and Toll Systems
- Deferred Sales Tax
- Repayment to Motor Vehicle Account

2. **Coverage of 100% on all expenditures**



Tacoma Narrows Toll Bridge:
Annual Coverage Under New Two-Pronged Test
(\$ in Thousands)

Analysis of Toll Revenue Scenarios 12-15-2009

		Fiscal Year					
		2010	2011	2012	2013	2014	2015
Debt Service Coverage Target		110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Coverage of All Expenditures Target		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Scenario A (\$2.75 ETC/\$4.00 Cash)	Ending Balance	16,143	2,293	635	(11,378)	(30,274)	(50,677)
	Debt Service Coverage	101.7%	82.2%	96.4%	87.5%	75.9%	78.5%
	Coverage of All Expenditures	101.3%	72.7%	95.9%	77.0%	68.6%	67.5%
Scenario B (\$3.00 ETC/\$4.00 Cash)	Ending Balance	16,143	4,669	5,526	(4,033)	(20,507)	(38,519)
	Debt Service Coverage	101.7%	87.5%	102.6%	92.8%	80.3%	82.9%
	Coverage of All Expenditures	101.3%	77.4%	102.1%	81.7%	72.6%	71.3%
Scenario C (\$3.25 ETC/\$4.00 Cash)	Ending Balance	16,143	7,470	11,364	5,080	(8,384)	(23,326)
	Debt Service Coverage	101.7%	93.7%	110.1%	99.9%	85.9%	88.6%
	Coverage of All Expenditures	101.3%	82.9%	109.6%	88.0%	77.6%	76.2%
Scenario D (\$3.50 ETC/\$4.00 Cash)	Ending Balance	16,143	10,195	17,043	13,914	3,725	(8,232)
	Debt Service Coverage	101.7%	99.7%	117.4%	106.8%	91.9%	94.2%
	Coverage of All Expenditures	101.3%	88.3%	116.9%	94.0%	83.1%	80.9%
Scenario E (\$3.75 ETC/\$4.00 Cash)	Ending Balance	16,143	12,697	22,255	22,025	14,903	6,099
	Debt Service Coverage	101.7%	105.3%	124.1%	113.1%	97.5%	100.0%
	Coverage of All Expenditures	101.3%	93.2%	123.5%	99.6%	88.2%	86.0%
Scenario F (\$3.75 ETC/\$5.00 Cash)	Ending Balance	16,143	15,850	28,737	32,013	28,603	23,723
	Debt Service Coverage	101.7%	112.3%	132.3%	120.7%	104.3%	107.3%
	Coverage of All Expenditures	101.3%	99.4%	131.7%	106.3%	94.3%	92.2%
Scenario G (\$4.00 ETC/\$5.00 Cash)	Ending Balance	16,143	18,375	33,998	40,199	39,884	38,278
	Debt Service Coverage	101.7%	117.9%	139.1%	127.1%	110.0%	113.4%
	Coverage of All Expenditures	101.3%	104.4%	138.5%	111.9%	99.5%	97.4%
Scenario H (\$4.25 ETC/\$5.00 Cash)	Ending Balance	16,143	20,846	39,147	48,210	50,925	52,522
	Debt Service Coverage	101.7%	123.4%	145.7%	133.3%	115.6%	119.4%
	Coverage of All Expenditures	101.3%	109.3%	145.0%	117.4%	104.5%	102.5%
Scenario I (\$4.50 ETC/\$5.00 Cash)	Ending Balance	16,143	23,515	44,708	57,048	63,042	68,107
	Debt Service Coverage	101.7%	129.4%	152.9%	140.5%	121.6%	125.8%
	Coverage of All Expenditures	101.3%	114.5%	152.2%	123.6%	110.0%	108.1%
Scenario J (\$2.75 ETC/\$5.00 Cash)	Ending Balance	16,143	4,718	5,563	(4,083)	(20,808)	(39,207)
	Debt Service Coverage	101.7%	87.6%	102.5%	92.6%	79.9%	82.2%
	Coverage of All Expenditures	101.3%	77.5%	102.1%	81.5%	72.2%	70.7%



Tacoma Narrows Toll Bridge:
Annual Coverage Under New Two-Pronged Test
(\$ in Thousands)

Analysis of Toll Revenue Scenarios 12-15-2009

		Fiscal Year					
		2010	2011	2012	2013	2014	2015
Debt Service Coverage Target		110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Coverage of All Expenditures Target		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Scenario A (\$2.75 ETC/\$4.00 Cash)	Ending Balance	16,143	2,293	635	(11,378)	(30,274)	(50,677)
	Debt Service Coverage	101.7%	82.2%	96.4%	87.5%	75.9%	78.5%
	Coverage of All Expenditures	101.3%	72.7%	95.9%	77.0%	68.6%	67.5%
Scenario B (\$3.00 ETC/\$4.00 Cash)	Ending Balance	16,143	4,669	5,526	(4,033)	(20,507)	(38,519)
	Debt Service Coverage	101.7%	87.5%	102.6%	92.8%	80.3%	82.9%
	Coverage of All Expenditures	101.3%	77.4%	102.1%	81.7%	72.6%	71.3%
Scenario C (\$3.25 ETC/\$4.00 Cash)	Ending Balance	16,143	7,470	11,364	5,080	(8,384)	(23,326)
	Debt Service Coverage	101.7%	93.7%	110.1%	99.9%	85.9%	88.6%
	Coverage of All Expenditures	101.3%	82.9%	109.6%	88.0%	77.6%	76.2%
Scenario D (\$3.50 ETC/\$4.00 Cash)	Ending Balance	16,143	10,195	17,043	13,914	3,725	(8,232)
	Debt Service Coverage	101.7%	99.7%	117.4%	106.8%	91.9%	94.2%
	Coverage of All Expenditures	101.3%	88.3%	116.9%	94.0%	83.1%	80.9%
Scenario E (\$3.75 ETC/\$4.00 Cash)	Ending Balance	16,143	12,697	22,255	22,025	14,903	6,099
	Debt Service Coverage	101.7%	105.3%	124.1%	113.1%	97.5%	100.0%
	Coverage of All Expenditures	101.3%	93.2%	123.5%	99.6%	88.2%	86.0%
Scenario F (\$3.75 ETC/\$5.00 Cash)	Ending Balance	16,143	15,850	28,737	32,013	28,603	23,723
	Debt Service Coverage	101.7%	112.3%	132.3%	120.7%	104.3%	107.3%
	Coverage of All Expenditures	101.3%	99.4%	131.7%	106.3%	94.3%	92.2%
Scenario G (\$4.00 ETC/\$5.00 Cash)	Ending Balance	16,143	18,375	33,998	40,199	39,884	38,278
	Debt Service Coverage	101.7%	117.9%	139.1%	127.1%	110.0%	113.4%
	Coverage of All Expenditures	101.3%	104.4%	138.5%	111.9%	99.5%	97.4%
Scenario H (\$4.25 ETC/\$5.00 Cash)	Ending Balance	16,143	20,846	39,147	48,210	50,925	52,522
	Debt Service Coverage	101.7%	123.4%	145.7%	133.3%	115.6%	119.4%
	Coverage of All Expenditures	101.3%	109.3%	145.0%	117.4%	104.5%	102.5%
Scenario I (\$4.50 ETC/\$5.00 Cash)	Ending Balance	16,143	23,515	44,708	57,048	63,042	68,107
	Debt Service Coverage	101.7%	129.4%	152.9%	140.5%	121.6%	125.8%
	Coverage of All Expenditures	101.3%	114.5%	152.2%	123.6%	110.0%	108.1%
Scenario J (\$2.75 ETC/\$5.00 Cash)	Ending Balance	16,143	4,718	5,563	(4,083)	(20,808)	(39,207)
	Debt Service Coverage	101.7%	87.6%	102.5%	92.6%	79.9%	82.2%
	Coverage of All Expenditures	101.3%	77.5%	102.1%	81.5%	72.2%	70.7%

Tacoma Narrows Toll Bridge:
Annual Coverage Under New Two-Pronged Test
(\$ in Thousands)

Analysis of Toll Revenue Scenarios 12-15-2009

		Fiscal Year					
		2010	2011	2012	2013	2014	2015
Debt Service Coverage Target		110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Coverage of All Expenditures Target		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Scenario A (\$2.75 ETC/\$4.00 Cash)	Ending Balance	16,143	2,293	635	(11,378)	(30,274)	(50,677)
	Debt Service Coverage	101.7%	82.2%	96.4%	87.5%	75.9%	78.5%
	Coverage of All Expenditures	101.3%	72.7%	95.9%	77.0%	68.6%	67.5%
Scenario B (\$3.00 ETC/\$4.00 Cash)	Ending Balance	16,143	4,669	5,526	(4,033)	(20,507)	(38,519)
	Debt Service Coverage	101.7%	87.5%	102.6%	92.8%	80.3%	82.9%
	Coverage of All Expenditures	101.3%	77.4%	102.1%	81.7%	72.6%	71.3%
Scenario C (\$3.25 ETC/\$4.00 Cash)	Ending Balance	16,143	7,470	11,364	5,080	(8,384)	(23,326)
	Debt Service Coverage	101.7%	93.7%	110.1%	99.9%	85.9%	88.6%
	Coverage of All Expenditures	101.3%	82.9%	109.6%	88.0%	77.6%	76.2%
Scenario D (\$3.50 ETC/\$4.00 Cash)	Ending Balance	16,143	10,195	17,043	13,914	3,725	(8,232)
	Debt Service Coverage	101.7%	99.7%	117.4%	106.8%	91.9%	94.2%
	Coverage of All Expenditures	101.3%	88.3%	116.9%	94.0%	83.1%	80.9%
Scenario E (\$3.75 ETC/\$4.00 Cash)	Ending Balance	16,143	12,697	22,255	22,025	14,903	6,099
	Debt Service Coverage	101.7%	105.3%	124.1%	113.1%	97.5%	100.0%
	Coverage of All Expenditures	101.3%	93.2%	123.5%	99.6%	88.2%	86.0%
Scenario F (\$3.75 ETC/\$5.00 Cash)	Ending Balance	16,143	15,850	28,737	32,013	28,603	23,723
	Debt Service Coverage	101.7%	112.3%	132.3%	120.7%	104.3%	107.3%
	Coverage of All Expenditures	101.3%	99.4%	131.7%	106.3%	94.3%	92.2%
Scenario G (\$4.00 ETC/\$5.00 Cash)	Ending Balance	16,143	18,375	33,998	40,199	39,884	38,278
	Debt Service Coverage	101.7%	117.9%	139.1%	127.1%	110.0%	113.4%
	Coverage of All Expenditures	101.3%	104.4%	138.5%	111.9%	99.5%	97.4%
Scenario H (\$4.25 ETC/\$5.00 Cash)	Ending Balance	16,143	20,846	39,147	48,210	50,925	52,522
	Debt Service Coverage	101.7%	123.4%	145.7%	133.3%	115.6%	119.4%
	Coverage of All Expenditures	101.3%	109.3%	145.0%	117.4%	104.5%	102.5%
Scenario I (\$4.50 ETC/\$5.00 Cash)	Ending Balance	16,143	23,515	44,708	57,048	63,042	68,107
	Debt Service Coverage	101.7%	129.4%	152.9%	140.5%	121.6%	125.8%
	Coverage of All Expenditures	101.3%	114.5%	152.2%	123.6%	110.0%	108.1%
Scenario J (\$2.75 ETC/\$5.00 Cash)	Ending Balance	16,143	4,718	5,563	(4,083)	(20,808)	(39,207)
	Debt Service Coverage	101.7%	87.6%	102.5%	92.6%	79.9%	82.2%
	Coverage of All Expenditures	101.3%	77.5%	102.1%	81.5%	72.2%	70.7%